

Appendix XIV FAQs: Procurement

1. How can bureaus and missions take advantage of the agency-wide Public-Private Alliance Announcement being issued by the GDA Secretariat?

The public-private alliance announcement being issued by the Secretariat serves as an Agency-wide tool to approach potential alliance partners and to reduce the number of noncompetitive approaches to alliances. The announcement is unique in that it covers all Agency programmatic areas and can be utilized by any bureau or mission as a competitive means of considering alliance applications. The announcement may be used by missions and bureaus by referring potential applicants to submit under this announcement, and the applications can be sent directly to the mission or bureau for evaluation, negotiation and award. Please refer to the Acquisition and Assistance Policy Directive (AAPD) when issued at http://www.usaid.gov/business/business_opportunities/cib/ for a further description of the policy and to the public-private alliance announcement when issued at www.fedgrants.gov for additional details. Missions and bureaus may also issue separate announcements/solicitations for their particular alliance building activities, if so desired, in accordance with traditional procedures provided in ADS 303.

2. How should a bureau or mission design a solicitation to attract applications with alliance partners?

There is no set method for designing such solicitations, but there are a variety of items one should consider in designs. First, one needs to determine whether a request for applications will be limited to only those that include alliances and whether there will be a set limit on the amount of matching/leveraging to be included in applications. Secondly, one should indicate in the solicitation the type of information applicants need to submit in support of the alliance portion (e.g. signed memoranda of understanding from proposed alliance partners, information on the responsibility and reputation of alliance partners, etc.) Thirdly, one needs to indicate the method in which potential alliances will be evaluated (e.g. feasibility of the alliance, broader programmatic impact with alliances, etc.). Finally, one needs to indicate the manner in which matching/leveraging needs to be demonstrated (e.g., memoranda of understanding, a traditional cost-share/matching approach, inclusion in overall program budget with anticipated timeframes for leveraging inputs and programmatic impacts associated with leveraging, etc.) One also needs to be mindful of the revised guidance on cost-share/matching as found in AAPD 02-10. The above is not intended to be an exhaustive list, but rather examples of base information that should be in solicitations.

3. How do matched and/or leveraged contributions from alliance partners become incorporated in USAID assistance awards?

The planned AAPD widely addresses the issues associated with matched and/or leveraged contributions as described below.

Cost Share/Match: Cost sharing or match refers to that portion of a project or program costs not borne by the Federal Government. Cost share or match is normally associated with contributions from the same prime and sub-recipients sources that also receive USAID funds. Cost share must be verifiable from the recipient's records, is subject to the requirements of 22 CFR 226.23 (http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/cfr_2002/aprqrtr/22cfr226.23.htm), and is subject to audit. A recipient's failure to meet its cost share requirement can result in questioned costs.

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Leveraging: In the context of PPAs, the concept of leveraging becomes an additional way that costs for a program may be shared. While, like cost share/match, it refers to a portion of a project or program costs not borne by the Federal Government, it also frequently involves one or more partners proposing contributions that will be spent in parallel to the USAID funded activity, but not expended by the recipient or its sub-awardees. Leveraging may come in the form of the entity's ability to get other supporters to provide their own form of assistance directly to the same end-users.

A contribution is also often categorized as 'leveraging' in situations where USAID does not determine it reasonable to designate a contribution as "cost share or match" (for which the partner would be held accountable for shortfalls), because of the nature of the proposed contribution. An example of such a circumstance is where the proposed partner is dependent upon uncertain market demands or conditions to ensure the proposed level of contribution.

The Strategic Objective/Results Package (SO/RP) Team must advise the Agreement Officer whether the contributions under the public-private alliance should be treated as "cost-share or match" and/or "leveraging" consistent with agency policy on determining appropriate cost share/match. Cost sharing becomes a condition of the award when it is made part of the approved award budget.

Solicitation/Application Language: The solicitation must specify whether "cost-share or match" and/or 'leveraging', are allowed/required, and require that the applicant clearly indicate whether contributions are being proposed as "cost-share or match" and/or "leveraging." To the extent that the contributions are being proposed as "leveraging," the solicitation must require that the applicant provide: 1.) Annual benchmarks that include proposed results to be accomplished with the USAID funds and the additional leveraging, and 2.) Annual timelines that include percentages or amounts.

The benchmarks and timelines must be included in the terms of the award. The solicitation and award must also include a discussion of the consequences that will result if the proposed leveraging does not materialize.

It is important that one weigh the choices among the two approaches and consider which one or combination of them is the most appropriate for the particular alliance program. Public-private alliances are being emphasized by the Agency in recognition of the greater amount of resources the private sector is contributing to developing countries, and we are creating different approaches to bring about more effective implementation of foreign assistance programs from a combination of resources.

4. Can alliances be solicited and structured in contractual mechanisms?

We currently have very limited experience with alliances in the contracting arena. One can envision parallel types of situations in which a potential alliance entity desires to fund or support a particular development activity and the Agency wants to contract with some separate entity to implement a related aspect of the development activity. This is more akin to donor coordination as USAID is planning to fund one aspect of an activity and the alliance entity is funding another aspect with no binding relationship between USAID and the alliance entity. There may be some existing contract vehicle (e.g., an Indefinite Quantity Contract/IQC within the Agency or the General Services Administration/GSA) in which USAID contracts for the specific services it is supporting, while the alliance entity separately supports another aspect of the activity.

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It is possible for the Agency to design a solicitation/contract in which the alliance entity is party to the contract, but there are a number of factors to consider in such a design. The FAR has provisions for a cost-share type contract, but these are traditionally utilized in research and development type programs in which the contractor does not charge a fee and accounts for its contributions under the contract. The situation usually involves the design of some product in which the contractor is willing to cost-share the contract in hopes that it would have certain rights with the final product that could bring it separate revenue after the contract is completed. This is not the typical alliance situation we have been considering to date. However, there still may be alliance entities that want to support programs for corporate/social responsibility purposes. One must consider whether a cost-share type contract is desirable and plausible under the circumstances. If one pursues a cost-share contract approach, the information offerors need to address, the manner in which it will be evaluated and the means it will be structured into the contract should be worked out in the solicitation. If one considers a memorandum of understanding (MOU) approach in a contractual arena, greater concern needs to be taken given the non-binding nature of MOUs. Further consultations with OP and RLAs/GC should be pursued under contractual approaches.

5. Are due diligence considerations for alliance partners part of the Grant/Agreement Officer's responsibility determination?

The AAPD plans to address the concept of due diligence as described below.

The concept of due diligence was developed for the purpose of checking and reviewing available information on the proposed private sector contributors to an alliance; that is, the organizations contributing additional resources and not receiving USAID funds. A due diligence investigation is a well thought-out inquiry of a prospective partner that must be carried out **prior to engaging in alliance negotiations**. Its essence is to investigate what is often called the "triple bottom line," (i.e., Is the prospective partner socially responsible, environmentally accountable and financially sound?). The SO/RP Teams normally takes the lead in working with the GDA Secretariat and its information systems to review information on proposed contributors to ensure that the track record, the objectives, and reputations of **all** alliance partners including the proposed recipient are examined to protect the interest of all parties. The SO/RP Team must share all the information obtained (i.e., positive, questionable and/or negative) from these searches with the Agreement Officer, or submit a memorandum for documentation purposes if there is adequate information on hand to provide an affirmative finding in the due diligence process. **The Agreement Officer is ultimately responsible for making any final award determination, based on the information obtained relating to due diligence and responsibility.**

While "responsibility determinations" involve review of the primary applicant's systems for management, accounting and audit noted above, "due diligence" typically involves review of the proposed alliance partner's (i.e., additional organization(s) participating in the alliance, but not the direct recipient of USAID funds) social/corporate responsibility through various resources and websites of the nature contained within Tools for Alliance Builders. Other resources, such as Dunn & Bradstreet reports, may also be used.

6. When should one consider deviations to standard provisions?

One should review closely the particular nature and structure of an alliance for consideration of deviations. Deviations are not the norm in designing public/private alliances, but some structures tend to gravitate towards deviations. One such structure is when USAID funds are being given to a non-profit organization, but those funds are subsequently being directed to a trust fund or other arrangement overseen by a Public International Organization/PIO (e.g. the World Bank, UN, WHO, etc.). Under this type of arrangement, deviations have been approved in which the standard provisions for PIO grants have been applied even though the award is not directly to a PIO. The rationale for approving such deviations has been that the program is ultimately being implemented under the auspices of the PIO in their role to oversee the particular trust fund or other arrangement. One may wonder why USAID is going through a non-profit organization when it can undertake awards directly to PIOs. In the situations to date, award through the particular non-profit has been desirable due to either the additional resources the non-profit contributes (e.g. United Nations Foundation match), or to encourage other donor contributions and foster support for the particular non-profit program (e.g. Vaccine Fund). Please refer to OP/Policy on the deviations that have been approved to date in the area of public/private alliances.

7. What amount of substantial involvement/collaboration should be anticipated in public-private alliances?

The amount of involvement varies with the nature of the alliance, the track record of the partners and the stage of the alliance relationship. Substantial involvement should be limited to the extent necessary under Cooperative Agreements. Cooperative Agreements differ from contracts and by their nature should not involve the level of management control/oversight associated with contracts. Thus, one needs to be mindful about the level of involvement. On the other hand, substantial involvement may be an appropriate means to document the partnership arrangement, the fact that all partners bring something of value to the relationship, and each member's willingness to share risks, responsibilities, and rewards. The risks associated with the particular alliance and the stage of the alliance formulation at the time of award are factors to consider in the amount of involvement. These factors may call for greater substantial involvement/collaboration beyond the traditional low end of involvement relating to review of implementation plans and key personnel. While USAID's direct relationship is with the prime awardee, the award in part should foster collaboration among all partners (USAID, the awardee and other alliance members).

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